

April 10, 2024

The Honorable Adam Smith, Chairperson
House Committee on Taxation
300 SW 10th Avenue, Room 346-S
Topeka, Kansas 66612

Dear Representative Smith:

SUBJECT: Fiscal Note for HB 2804 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2804 is respectfully submitted to your committee.

HB 2804 would enact the Preceptor Income Tax Incentive Act. The bill would define a community-based faculty preceptor, or preceptor, as an individual that is licensed by the State of Kansas as a physician or physician assistant. The bill would define preceptorship as an uncompensated mentoring experience in which a community-based faculty preceptor provides a program of personalized instruction, training, and supervision to a Board of Regents student. The bill would define a student as an individual participating in a Board of Regents college or university training program for the training of Doctor of Medicine, Doctor of Osteopathic Medicine, Master of Science in Physician Assistant Studies, or Master of Physician Associate degrees.

The bill would provide a non-refundable income tax credit to a community-based faculty preceptor that conducts a preceptorship for a student. For every 40 hours of precepting provided to a student, the preceptor would be entitled to a \$250 income tax credit beginning in tax year 2024. The bill would not limit the amount of tax credits a community-based faculty preceptor could accrue based on the number of completed 40 hours the preceptor completes during the tax year. The bill includes certification requirements for a preceptor and reporting requirements for education institutions. A preceptor would not accrue tax credits if the preceptor or their employer is compensated by another organization for the same preceptorship.

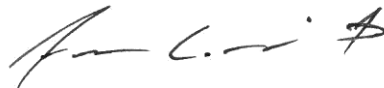
Estimated State Fiscal Effect			
	FY 2024	FY 2025	FY 2026
Expenditures			
State General Fund	--	\$188,368	\$72,508
Fee Fund(s)	--	--	--
Federal Fund	--	--	--
Total Expenditures	--	\$188,368	\$72,508
Revenues			
State General Fund	--	(\$300,000)	(\$300,000)
Fee Fund(s)	--	--	--
Federal Fund	--	--	--
Total Revenues	--	(\$300,000)	(\$300,000)
FTE Positions	--	1.00	1.00

The Department of Revenue estimates that HB 2804 would decrease State General Fund revenues by \$300,000 in FY 2025 and in each future fiscal year. To formulate these estimates, the Department of Revenue reviewed data from the Kansas State Board of Healing Arts that shows there are currently 13,620 active licensed medical doctors, osteopathic doctors, and physician assistants that may be eligible for this new tax credit. If 10.0 percent of these licensed individuals claim tax credits for 120 hours assisting with a clinical course and one third of these tax credits are allowed against tax liability, then this new tax credit would reduce State General Fund revenues by approximately \$300,000 each year beginning in FY 2025.

The Department indicates that the bill would require \$188,368 from the State General Fund in FY 2025 to implement the bill and to modify the automated tax system. The bill would require the Department to hire 1.00 new Customer Service Representative FTE position to answer questions from taxpayers. The Department estimates that ongoing expenses for salaries and wages for the 1.00 new FTE position would total \$72,508 from the State General Fund in FY 2026. The required programming for this bill by itself would be performed by existing staff of the Department of Revenue. In addition, if the combined effect of implementing this bill and other enacted legislation exceeds the Department’s programming resources, or if the time for implementing the changes is too short, additional expenditures for outside contract programmer services beyond the Department’s current budget may be required.

The Board of Regents indicates that the administrative costs associated with implementing the bill would be minimal and could likely be absorbed within existing resources. Any fiscal effect associated with HB 2804 is not reflected in *The FY 2025 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam C. Proffitt", with a stylized flourish at the end.

Adam C. Proffitt
Director of the Budget

cc: Lynn Robinson, Department of Revenue
Becky Pottebaum, Board of Regents